

## **MONTGOMERY COUNTY RETIREE HEALTH BENEFITS TRUST FUND OVERLAY REBALANCING POLICY**

The strategic objective of the Retiree Health Benefits Trust's (RHBT) rebalancing program is to maintain the Trust's asset allocation targets by transferring monies between asset classes, through the use of index funds, attempting not to disrupt the investment manager's investment process and keeping transaction costs as low as possible. The Board will develop a target allocation range among the various asset classes based on the approved asset allocation policy and volatility measures of the asset classes.

**Monitoring Requirements:** Board staff will monitor the Trust's total allocation by investment class, sector and manager thorough the custodian bank's risk compliance system. Board staff will receive a report daily reflecting the Trust's compliance with the Board's Statement of Investment Policy, Derivatives Policy, and individual manager guidelines. Board Staff will review the report daily and analyze any compliance issues that arise and recommend what specific action should be taken to the Executive Director. The Executive Director will determine what action to take or recommend to the Board.

**Trading Procedures:** The Executive Director may transfer assets, by purchase or sale, between the index funds to maintain the Trust's asset allocation at the top or bottom of the target ranges established by the Board. Transfers will be initiated when the current allocation is at least ½ of 1% above or below 3% of the target range. If monies are not be available within the index funds to accomplish the rebalancing, the Executive Director will recommend to the Board a transfer of assets between active investment managers. The Executive Director will make other recommendations to the Board when appropriate. The Executive Director will direct the custodian bank, in writing, to transfer any monies between active managers.

**Reporting Requirements:** The Executive Director will notify the Board at the next Board meeting of a rebalancing accomplished or if a rebalancing is necessary. Board Staff will maintain records of all transfers initiated, including a listing of the date of non-compliance, dollar and percentage amounts, and the transfer date and amount of the rebalancing.

Adopted: May 16, 2008